Glenbriar Technologies Inc.

Business-driven technology

Peartree SOFTWARE INC.

ENTERPRISE SOFTWARE, COMMUNICATIONS & TECHNOLOGY

2005 ANNUAL REPORT

This Report includes the following Schedules for September 30, 2005:

A. 2005 Audited Annual Financial Statements;

B. Management Discussion and Analysis (Form 51-102F1).

To Our Shareholders

We look forward to 2006 as a year of opportunity and change at Glenbriar.

When the market for information technology issuers collapsed in 2000, Glenbriar undertook a corporate strategy that would sustain us through the tough times, while providing a base for growth in future periods. This strategy envisioned the acquisition of additional geographic locations and technologies which could be developed into a cohesive set of solutions aimed at the small to medium business sector. To this end, Glenbriar made a series of small acquisitions: two software companies in Kitchener-Waterloo, an IP telephony company in Vancouver, and an additional IT support company in Calgary.

After turning around and rationalizing these acquisitions, market conditions limited the resources available to develop and integrate these solutions. Glenbriar responded by redeploying funds from marketing and sales into research and development activities which would enhance the long term upside from the acquired technologies. This overall direction contemplated using Glenbriar's IT services expertise to support and enhance new solutions in enterprise software and communications. This approach recognized the higher scalability and margins inherent in products and solutions compared to a consulting environment, but necessarily favoured long term potential over short term growth. Initial products and solutions started to show commercial viability in fiscal 2005.

Starting in the latter part of fiscal 2005, Glenbriar started planning for the next phase in this long term strategy. This phase involves redefining and redirecting Glenbriar from a technical to marketing focus, rollout of new products, and establishing a new base for bringing forward its new products and solutions. The investments that have been made in R&D to develop proprietary software and communications solutions that address many segments within the SMB marketplace will enable Glenbriar to seize on multiple cross-selling opportunities within our established and future client base and serve as a platform for future expansion.

By understanding and solving our clients' business problems with the optimal balance of technology, products, services and support, Glenbriar strives to build long term customer relationships built upon best of breed solutions, operational infrastructure and talented professionals which generate growth and loyalty to and with our clients.

Robert Matheson
President & CEO

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Schedule A: FINANCIAL STATEMENTS

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Auditors' Report

To the Shareholders of
Glenbriar Technologies Inc.:

We have audited the consolidated balance sheets of **Glenbriar Technologies Inc.** as at September 30, 2005 and 2004 and the consolidated statements of earnings and retained earnings and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at September 30, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
December 16, 2005
except as to notes 5 and 13, which
are as of January 24, 2006

(signed) "Deloitte & Touche"
Chartered Accountants

GLENBRIAR TECHNOLOGIES INC.
Consolidated Statements of Earnings and Retained Earnings
Years Ended September 30, 2005 and 2004

	2005 $	2004 $
REVENUE		
Information technology management	**2,738,982**	2,970,387
Equipment and software sales	**2,007,368**	1,894,431
Gas sales, net of royalties of $2,935 (2004 - $16,899)	**21,038**	146,177
Gain on disposal of assets (Note 3)	**113,000**	-
Interest and other income	**5,950**	7,884
	4,886,338	5,018,879
EXPENSES		
Information technology management	**1,982,306**	2,239,359
Cost of goods sold	**1,634,270**	1,625,002
General and administrative	**899,529**	900,941
Depletion, depreciation and amortization	**129,971**	143,105
Gas production	**15,794**	68,669
Interest and bank charges	**15,661**	17,278
Foreign exchange loss	**11,672**	5,650
	4,689,203	5,000,004
EARNINGS BEFORE INCOME TAXES	**197,135**	18,875
Provision for future income taxes (Note 8)	**47,000**	-
NET EARNINGS	**150,135**	18,875
RETAINED EARNINGS, BEGINNING OF YEAR	**22,814**	3,939
RETAINED EARNINGS, END OF YEAR	**172,949**	22,814
EARNINGS PER SHARE		
Basic	**0.006**	0.001
Diluted	**0.006**	0.001
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	**25,789,928**	25,789,928
Diluted	**25,789,928**	25,789,928

GLENBRIAR TECHNOLOGIES INC.
Consolidated Balance Sheets
September 30, 2005 and 2004

	2005 $	2004 $
ASSETS		
CURRENT		
Accounts receivable	**893,045**	975,067
Prepaid expenses	**43,688**	42,226
Inventory	**101,808**	158,098
	1,038,541	1,175,391
Capital assets (Note 3)	**225,072**	311,050
Intangible assets (Note 4)	**930,474**	606,813
Goodwill	**1,023,756**	1,023,756
Future income taxes (Note 8)	**1,023,955**	961,255
	4,241,798	4,078,265
LIABILITIES		
CURRENT		
Revolving credit facility (Note 5)	**318,219**	175,048
Accounts payable and accrued liabilities	**407,220**	459,800
Current portion of long-term liabilities (Note 6)	**-**	18,500
Deferred revenue	**251,186**	281,649
Current portion of deferred leasehold allowances (Note 3)	**15,360**	15,360
	991,985	950,357
Asset retirement obligation	**-**	11,930
Deferred leasehold allowances (Note 3)	**45,140**	61,440
	1,037,125	1,023,727
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	**3,031,724**	3,031,724
Retained earnings	**172,949**	22,814
	3,204,673	3,054,538
	4,241,798	4,078,265

APPROVED BY THE BOARD

.. " ". . . . . **Director**

.. " ". . . . . **Director**

GLENBRIAR TECHNOLOGIES INC.
Consolidated Statements of Cash Flows
Years Ended September 30, 2005 and 2004

	2005 $	2004 $
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net earnings	**150,135**	18,875
Adjustments for:		
Provision for future income taxes	**47,000**	-
Gain on disposal of assets	**(113,000)**	
Depletion, depreciation and amortization	**129,971**	143,105
	214,106	161,980
Changes in non-cash working capital (Note 12)	**37,507**	214,676
	251,613	376,656
FINANCING		
Increase in revolving credit facility	**143,171**	175,048
Decrease in long-term liabilities	**(18,500)**	(36,000)
	124,671	139,048
INVESTING		
Net proceeds on disposal of assets (Note 3)	**150,000**	-
Capital expenditures	**(41,903)**	(116,427)
Software development costs (Note 4)	**(484,381)**	(369,741)
	(376,284)	(486,173)
NET INCREASE IN CASH	**-**	29,531
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR	**-**	(29,531)
CASH, END OF YEAR	**-**	-

Supplementary cash flow information (Note 12)

Notes to Consolidated Financial Statements

1. **BASIS OF PRESENTATION**

Glenbriar Technologies Inc. ("Corporation") was incorporated under the Business Corporations Act (Alberta) on July 15, 1994. The consolidated financial statements for the years ended September 30, 2005 and 2004 include the accounts of its only active subsidiary, Peartree Software Inc. ("Peartree").

2. **SIGNIFICANT ACCOUNTING POLICIES**

Inventory

Inventory is comprised of equipment and spare parts and is carried at the lower of cost and net realizable value.

Measurement uncertainty

The preparation of the Corporation's consolidated financial statements in conformity with Canadian generally accepted accounting policies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense during the reporting periods presented. Significant estimates include the assessment of recoverability of carrying values of the Corporation's intangible assets, goodwill, gas properties and future income tax assets. Actual results could differ from the estimates.

Intangible assets

Intangible assets are amortized on a straight-line basis as follows:

Proprietary software	5 years

Research and development costs incurred prior to the establishment of the technological and financial feasibility of a particular software project are expensed as incurred. Software development costs are capitalized when the technological and financial feasibility of a project is established. Capitalized costs will be amortized over the estimated period of benefit beginning upon the product's commercial release.

If a permanent impairment in value is determined, the carrying value of the intangible assets is written down to recoverable value and the excess charged to earnings. The net recoverable value is based on management's estimate of future cash flows from the related intangible asset. There was no impairment of intangible assets recorded during the years ended September 30, 2005 or 2004.

Goodwill

Goodwill represents the excess of the purchase price over the value attributed to net tangible and intangible assets acquired. Goodwill is assessed for a permanent impairment in value on an annual basis by comparing the carrying value of the applicable reporting unit to its estimated fair value. Fair value is determined based on management's estimates of future cash flows. There was no impairment of goodwill recorded during the years ended September 30, 2005 or 2004.

Revenue recognition

Equipment and software sales relate to proprietary software and products purchased and resold to customers. The revenue from these sales is recognized upon shipment and invoicing. Information technology management revenue is recognized as services are rendered. In cases where collectibility is not reasonably assured, revenue is recognized when the cash is collected. Payments received in advance of services rendered are deferred until such time as the services are performed.

Foreign currency transactions

Revenue and expenses are recorded at the average rate of exchange in effect at the transaction dates. Monetary assets and liabilities relating to foreign exchange transactions are recorded at rates of exchange in effect at the balance sheet date and any resulting gains or losses recorded in income for the period.

Capital assets

Computers and office equipment are depreciated using the declining-balance method at rates ranging from 20% - 30% per year. Leasehold improvements are amortized over the term of the lease (5 years). If there is an indication of impairment to the carrying value of these assets, a reduction of the carrying value to the fair value would be recorded as an expense.

Gas operations

The statements reflect the Corporation's proportionate share of gas production activities conducted jointly with others. These activities ceased with the disposal of the gas property in December 2004. The Corporation followed the full cost method of accounting for gas activities, whereby all historical costs were capitalized into a single cost centre. Proceeds on disposal of the gas property and equipment were credited to the balance remaining in the full cost pool. Total capitalized costs were depleted using the unit-of-production method based on estimated proven reserves. Effective October 1, 2004, the Corporation retroactively adopted the new standard on asset retirement obligations. The adoption of the new standard had no impact on the financial statements. The balance was eliminated upon disposal of the gas property.

Income taxes

The Corporation uses the liability method of accounting for income taxes. Under this method, temporary differences arising from the differences between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using substantially enacted tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

Investment tax credits

The Corporation is entitled to Canadian federal and provincial investment tax credits that are earned as a percentage of eligible current and capital research and development expenditures incurred in each taxation year. Investment tax credits are accounted for as a reduction of related expenses or capitalized costs in the period during which the credit is realized or the expenditures are incurred, provided there is reasonable assurance of realization.

Stock option plan

The Corporation has a stock option plan as described in Note 7. The Corporation would record an expense for stock options issued based on the fair value at the date of grant, calculated using the Black-Scholes option pricing model. As there were no options issued, there was no impact on earnings from stock options.

Per share amounts

The Corporation follows the treasury stock method to determine the dilutive effect of stock options. Under this method, basic net earnings per share are calculated using the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated on the basis of the weighted average number of common shares outstanding during the period plus the additional incremental common shares that would have been outstanding if potentially dilutive common shares had been issued using the treasury stock method.

3. CAPITAL ASSETS

	2005		
	Cost $	Accumulated Depletion and Depreciation $	Net Book Value $
Computers and office equipment	485,539	(311,067)	**174,472**
Leasehold improvements	72,800	(22,200)	**50,600**
	558,339	(333,267)	**225,072**

	2004		
	Cost $	Accumulated Depletion and Depreciation $	Net Book Value $
Oil and gas properties and equipment	993,970	(945,040)	**48,930**
Computers and office equipment	443,637	(245,717)	**197,920**
Leasehold improvements	72,800	(8,600)	**64,200**
	1,510,407	(1,199,357)	**311,050**

Leasehold allowances received during 2004 of $87,100 (net of cumulative amounts amortized to rent expense of $26,600 as of September 30, 2005) have been deferred and are being amortized over the 5 year lease term. In December 2004, the Corporation sold its gas property for net proceeds of $150,000, resulting in a gain on sale of $113,000.

4. INTANGIBLE ASSETS

	2005		
	Cost $	Accumulated Amortization $	Net Book Value $
Proprietary software	255,100	(246,597)	**8,503**
Software development	921,971	-	**921,971**
	1,177,071	(246,597)	**930,474**

	2004		
	Cost $	Accumulated Amortization $	Net Book Value $
Proprietary software	255,100	(195,577)	**59,523**
Software development	547,290	-	**547,290**
	802,390	(195,577)	**606,813**

Amortization of intangible assets during the year was $51,020 (2004 – $60,425). The carrying value of software development costs has been reduced by investment tax credits of $109,700 recorded during the year (2004 – $133,276). The remaining investment tax credit of $53,600 (2004 – $27,000) was recorded as a reduction of expenses.

5. REVOLVING CREDIT FACILITY

The Corporation had a line of credit available to a maximum of $500,000 as at September 30, 2005, subject to monthly margining thresholds and annual review. Drawings bear interest at 1% above the bank's prime lending rate with interest payable monthly. The line of credit is subject to a working capital ratio test on a quarterly basis. The ratio as of September 30, 2005 was below the stated minimum, but has since been brought above the threshold. See Note 13. Security is provided by a first charge over all of the Corporation's assets. The outstanding principal balance is repayable on demand. As at September 30, 2005, there was $318,219 (2004 – $175,048) drawn under the facility.

6. **LONG-TERM LIABILITIES**

Long-term liabilities at September 30, 2005 were nil (2004 – $18,500). The 2004 balance was repaid in March 2005.

7. **SHARE CAPITAL**

i) Authorized
Unlimited number of common shares
Unlimited number of preferred shares of one or more series

ii) Common shares issued and outstanding	Number of shares	**Amount $**
Balance, September 30, 2003	25,789,928	3,031,724
Balance, September 30, 2004	**25,789,928**	**3,031,724**
Balance, September 30, 2005	**25,789,928**	**3,031,724**

iii) Stock option plan

The Corporation is authorized to grant stock options to directors, officers and employees for up to 10% of the number of common shares outstanding. These options are exercisable over periods up to 5 years at prices based upon the Corporation's trading price on the date of issue. No stock options were granted, exercised or outstanding in 2005 or 2004.

8. **INCOME TAXES**

The components of the future income tax asset amounts as at September 30, 2005 and 2004 are as follows:

	2005 $	2004 $
(Excess) deficiency of carrying value over tax basis	**(132,000)**	59,255
Future benefit of current and prior years' losses	**985,000**	799,000
Investment tax credits	**170,756**	103,000
	1,023,756	961,255

As at September 30, 2005, the Corporation had investment tax credits of approximately $266,000 available to reduce taxes otherwise payable, and non-capital losses of approximately $2.7 million available to be carried forward to reduce future taxable income. The benefit of these credits and losses has been recognized in the consolidated financial statements. The credits and losses expire between 2008 and 2015.

Income tax expense (recovery) differs from the amounts which would be obtained by applying the combined federal and provincial statutory income tax rate to the respective years' earnings before income taxes. The following schedule explains the differences between the expected and actual tax expense (recovery):

	2005 $	2004 $
Earnings before income taxes	**197,135**	18,875
Expected income taxes – statutory rate of 36.0% (2004 - 36.5%)	**71,000**	6,900
Effect of tax rate changes	**13,000**	(24,900)
Adjustments to tax pools	**(24,000)**	18,000
Other	**(13,000)**	-
Provision for future income taxes	**47,000**	-

9. **SEGMENTED INFORMATION**

As at September 30, 2005 and 2004, the Corporation operated primarily in the information technology sector and had only one reportable operating segment.

10. COMMITMENTS

The Corporation is committed to the following minimum annual payments for office leases:

	$
2006	152,400
2007	66,800
2008	67,300
2009	46,100

11. FINANCIAL INSTRUMENTS

The carrying value of the Corporation's accounts receivable, accounts payable and accrued liabilities, and other long-term liabilities approximate their respective fair values.

Credit risk

The Corporation is exposed to normal credit risk from customers. The Corporation minimizes concentrations of credit risk by maintaining a wide customer base spread across differing industries.

Interest rate risk

The Corporation is exposed to interest rate risk on any outstanding drawings on the demand credit facility.

Foreign exchange risk

A portion of the Corporation's sales are denominated in foreign currency. The Corporation has no contracts in place to mitigate this exposure.

12. SUPPLEMENTARY CASH FLOW INFORMATION

	2005 $	2004 $
Changes in non-cash working capital:		
Accounts receivable	82,022	65,322
Prepaid expenses	(1,462)	(40,626)
Inventory	56,290	137,248
Accounts payable and accrued liabilities	(52,580)	(65,842)
Deferred revenue	(30,463)	41,774
Deferred leasehold allowances	(16,300)	76,800
	37,507	214,676
Cash interest paid	7,586	10,078
Cash taxes paid	-	-

13. SUBSEQUENT EVENTS

In November 2005, the Corporation allocated a portion of its line of credit to establishing a performance bond in connection with a potential contract. To facilitate this allocation and assist in maintaining working capital margining ratios, certain officers and directors advanced $160,000 to the Corporation in December 2005. This amount was used to subscribe for shares by way of a non-brokered private placement in January 2006. An additional $105,000 was subscribed for by third parties in the private placement with an expected closing date of January 31, 2006. The subscription price was $0.08 per share, the prior closing price on the CNQ, with no discounts, fees, commissions, warrants or options.

Schedule B: MANAGEMENT DISCUSSION AND ANALYSIS *(Form 51-102F1)*

This information is given as of January 24, 2006. As of the date of this report: (a) there are 27,789,928 Glenbriar voting common shares issued and outstanding, and subscriptions have been received under a private placement in January 2006 to issue an additional 1,312,500 common shares; and (b) there is no other class or series of shares issued, and no warrants or options or other rights to acquire additional common shares outstanding (other than as described in (a) above).

Description of Business

Glenbriar Technologies Inc. (CNQ: GBRT) provides leading-edge business-driven technology. Glenbriar's **Peartree Software Inc.** division develops Web-based software solutions for specific market verticals. Glenbriar adds post-carrier IP telephony, call centres and support services to deliver complete technology management solutions. Glenbriar has locations in Alberta, British Columbia and Ontario.

Enterprise Software

Peartree Software develops proprietary vertical market software for manufacturers, distributors, dealerships and professional services. Peartree also specializes in Web enabling of legacy applications. Peartree has been providing integrated software solutions for over 15 years. Peartree's application software and services add ongoing value to its customers and support their mission critical business operations. Building on a research and development project initiated two years ago and still underway, Peartree has rewritten and repositioned its software product line to make it state-of-the-art, Web-based and easy and intuitive to use. Despite a simplified interface, the products retain all of the experience and integration gained over the last two decades.

The new product offerings are expected to move into commercialization over the next two years. Additional modules currently under development will add multisite, ASP (application service provider), SAS (software as service) and further integration capabilities.

The new products offerings will be based upon seamless real-time integration of several key modules. The sophisticated back-end architecture will eliminate the need for duplicate data entry, reducing errors and increasing productivity. Some of the common modules include:

- *Sales Information* – Presents sales information, such as customer history for unit or parts transactions, and tracks individual and team sales success. A built-in deal calculator arrives at the desired profit margin.
- *Parts and Service* – Schedules work and creates work orders for the service department. Parts, labour, and sublet work are integrated with inventory and finance to eliminate duplication of data entry. Numerous service reports mechanics' hours, work in progress and required parts, among other factors.
- *Point of Sale* – Provides a POS system that allows transactions to be completed in seconds. Keeps inventory balance up-to-date, invoices customers, and posts transactions to the finance module.
- *Purchasing and Inventory* – Tracks unit and part inventory levels within the dealership. Extensive reporting capabilities produce clear, accurate reports by vendor, class department and more. Real-time information improves decision making.
- *Financials* – Tracks revenue, expenses, assets, liabilities, taxes and cash flow. Financial reports provide an up-to-date snapshot. Ease of use will make employees more productive.

Some of the broad product categories for the new offerings include the following:

Dealership Management Software. Simple, affordable and reliable Web-based software for managing the entire business of an RV, automotive, marine or other dealership. This is the first set of modules undertaken.

SMB Orchard Suite. This suite will be aimed at businesses that have outgrown retail accounting packages. These businesses need all of the functionality of full scale enterprise software in a simple, affordable and Web-based format. SMB Orchard Suite includes modules for accounts receivable, accounts payable, general ledger, sales, purchasing, payroll, and inventory.

MMS Suite. A cost-effective, integrated suite of business solutions for manufacturers and distributors. For more than 20 years, Peartree has improved business processes for manufacturers and distributors. Peartree's deep knowledge of the automotive manufacturing business translates directly into our suite of software modules. Peartree's interactive Material Management System reliably provides the latest management information at a competitive price point.

Harvest Reports. A sophisticated data reporting tool that allows businesses to access data stored in a multivalue or relational database and transform it into a highly formatted, graphically-enabled report. Harvest Reports can be formatted to request information, such as date ranges or periods, to narrow and focus the data that is generated. Drill-down capabilities enable the request of sub reports. Finalized Harvest Reports can be printed, faxed, e-mailed, saved and archived with a few simple mouse clicks. Harvest Reports allows Peartree to rapidly build and deploy reports for its customers. It creates templates specifically reflecting a customer's reporting needs, which significantly speeds the creation of individual reports. Formatting changes are simple and extremely rapid, due to the enhanced report development toolset.

Enterprise Communications

The Glenbriar Communication Solution, or GCS, fuses best-of-breed hardware and software products from ShoreTel, Cisco, Dell and third party vendors with Glenbriar's own proprietary methodologies and applications to produce the optimal integrated communications solution for business. While GCS deploys proprietary components, its adherence to standards and inclusion of a software development kernal means it will interconnect with a wide array of software applications and hardware devices. Despite its sophistication, GCS offers one of the lowest total costs of ownership.

GCS operates in the "post-carrier" or "post-VOIP" space. Inside the enterprise, GCS seamlessly integrates all voice and data from locations anywhere in the world into a single cohesive system. Outside the enterprise, GCS interconnects with traditional analog or digital phone (PSTN/T1/PRI/BRI) or VOIP (SIP/MGCP) trunks to provide access to local and long distance calling.

GCS dial plans are designed so that when a user dials standard long distance format, the call is routed to any enterprise location where the call can be completed as a local call. If all trunks are busy, it fails over to the traditional phone network. Calls within the enterprise do not use trunk lines, reducing the number of local trunks. Savings are achieved on both local trunks and long distance tolls.

Some of GCS's additional benefits include:

IP Call Centre – The IP Call Centre solution allows an enterprise to route incoming calls to the most appropriate agent in a multi-site contact centre, regardless of location. The solution treats all available agent resources across all sites as one "virtual" contact centre. This allows companies to maximize agent productivity, reduce call centre costs and boost customer satisfaction level. GCS adds additional functionality, such as the Glenbriar Greeting Assistant application, to allow greater control and functionality to a multisite IP call centre.

Multisite – GCS integrates multiple branches, sites, and companies into a single cohesive system. GCS appears to the administrator and end users as a single site. The rich set of features and applications at the head office are also available to the remote sites or branch offices users. Customers can access your extension from anywhere in the world by dialing any of your enterprise's local sites.

Mobility – *Mobile workers* can assign their extension to their cell and have calls delivered to them wherever they are located. *Teleworkers* can invisibly relocate their extension to their home or any other phone with all of the functionality of the office environment. No VPN or configuration is needed from the worker's home office. Softphone, AnyPhone and Dial In/Dial Out provide additional functionality.

Conferencing – GCS delivers "anytime" access adds 96 conferencing ports per bridge device, including document sharing, Outlook integration, Web based instant ad hoc conferencing, zero deployment configuration, "click to add" additional parties, and individual audio customization. This removes the cost barriers of traditional in-house collaboration solutions and ends dependency on high-cost, hosted web services.

Application integration: Adherence to standards and inclusion of a software development support ensures that GCS will interface with virtually any phone system, other device or application.

Fax server integration: Allows a single number to be used for an individual's DID and fax number.

Technology Management

Glenbriar delivers IT management services that make business processes and workflow accurate and efficient and keep IT systems reliable and stable. Glenbriar also uses its technology management expertise to enhance and support the design, installation and support of its enterprise software and communications solutions. Glenbriar's typical target market is businesses with 10 to 300 active network nodes. Glenbriar specializes in integrating diverse hardware platforms and software solutions, which are often beyond the scope of the internal resources of most small and intermediate sized businesses.

Glenbriar's IT management services include hardware and software procurement. Glenbriar maintains trade accounts with over 35 industry suppliers, including Synnex, Ingram Micro, Tech Data and Dell. Glenbriar is an authorized reseller for Dell, Microsoft, HP/Compaq, ShoreTel, 3Com and others. Peartree is an authorized reseller for IBM.

Glenbriar participates in a strategic alliance with the Calgary Centre for Non-Profit Management in the delivery of IT services and business workflow solutions to the non-profit sector in an efficient and cost effective manner. Glenbriar has always been a strong supporter of the non-profit sector, providing IT services, IP telephony solutions and procurement services to various non-profits agencies. While

providing services to the non-profit sector has low margins and is less profitable than dealing with commercial enterprises, Glenbriar management believes it is important to give back to the communities in which it operates.

Intellectual property

All of Glenbriar's sales are arm's length sales to third parties outside the consolidated entity. Software licences are renewable annually, and renewal is required for the software to continue to function. Peartree's initial products were developed in the 1980s. Peartree owns the copyright to its source code, and has a number of employees with over a decade of experience with its products. Glenbriar is a registered trade mark in Canada for the lines of business in which it operates. In addition, Glenbriar and Peartree resell third party products and licences which include intellectual property aspects, and relies upon the third party's representations as to the validity of any patents, copyrights or other intellectual property rights. Glenbriar is not aware of any issues relating to any of the intellectual property rights described above.

Market conditions

The IT services, enterprise software and enterprise communications markets are large and highly competitive. There are over 13,000 IT service providers and up to US$26 billion of annual enterprise software revenues in North America. These markets have generally been subject to a great deal of consolidation and business failures during the technology market downturn in the first half of the decade. Glenbriar has grown and survived during this difficult market period despite inadequate capitalization. Glenbriar believes the current market provides good opportunities for growth through acquisitions and development of niche products and services.

During the second quarter of fiscal 2005, Glenbriar installed a business IP telephony system for a wireless and fixed Internet service provider (ISP) which operates primarily in rural Alberta. Glenbriar has been working with this client to develop solutions for implementing VoIP solutions for their customer base as it expands as a result of the further implementation of Alberta's Supernet. In January 2006, Glenbriar entered into a joint venture marketing agreement with this client to expand business IP telephony solutions into this client's areas of operation.

Glenbriar acquired Digital Blue Web Design of Calgary in March 2005. Digital Blue is a small web design practice, whose staff joined Glenbriar.

Glenbriar retained Oriel Partners Ltda. of Sao Paulo, Brazil in June 2005 to develop strategic planning, international business development and capital funding alternatives to address Glenbriar's 2006 expansion plans. Glenbriar has undertaken a complete corporate review to develop a strategy which would position itself to take advantage of its many opportunities. One of the principal goals of this review will be to strengthen Glenbriar's marketing and product launch capabilities in North America and other markets.

Glenbriar released *Greeting Assistant 1.0* in July 2005. *Greeting Assistant* allows call handlers in VoIP call centres to greet and manage incoming callers from multiple companies, branches and sites using instant, real-time company, branch or location-specific information. *Greeting Assistant* is scalable from a single location sharing operators or receptionists in executive and shared office environments to international call centres serving multiple locations virtually anywhere. Each call handler, client company, and incoming caller can be at independent locations.

Greeting Assistant features a simple to use Windows based greeting screen which permits custom instructions for each client company or location, on-screen editing, call screening for incoming calls,

and one-click forwarding to a local, cell phone or other phone number. *Greeting Assistant* uses a standalone multi-user database, and is quickly set up using an install wizard. In addition to providing professional handling of incoming calls, *Greeting Assistant* delivers savings through reduced training costs, easy maintenance and more efficient call handling.

The Accounting Standards Board has put forth recommendations that accounting standards in Canada should shift from Canadian generally accepted accounting principles (GAAP) to International Financial Reporting Standards (IFRS) over the next 5 years. This change has already been implemented in Australia, New Zealand and the European Union. The US Securities and Exchange Commission reached an agreement with the EU in April 2005 which states that at some point between 2007 and 2009, foreign issuers will be entitled to use IFRS in their filings without having to reconcile their financial statements to US GAAP. In addition, the 30% restriction on foreign content in pension funds and RSPs was eliminated in the 2005 federal budget. While there will be no immediate impact on Glenbriar's financial statements as a result of these changes, there may be significant changes resulting when IFRS is adopted. In addition, efforts to harmonize these different standards may result in early implementation of certain portions of these changes. All of these changes are expected to result in harmonization of Canadian and international markets for securities, which is also expected to have a long term effect on the valuation of Canadian equities.

Selected Financial Information

Selected Annual Financial Information ($)	Year ended September 30		
	2005	2004	2003
Revenues	4,886,338	5,018,879	5,248,707
Income from continuing operations	150,135	18,875	524
-per share (basic)	0.006	0.001	-
-per share (diluted)	0.006	0.001	-
Net income	150,135	18,875	524
-per share (basic)	0.006	0.001	-
-per share (diluted)	0.006	0.001	-
Total assets	4,241,798	4,078,265	3,862,141
Long term liabilities	-	-	18,500
Dividends	-	-	-

Revenues include gas revenue of $21,000 in 2005, $143,000 in 2004 and $181,000 in 2003. The gas property was sold in early fiscal 2005. In addition, the Canadian dollar has risen steadily against the US dollar over the past 2 years. As Peartree's US sales are made in US dollars, this has resulted in a decline of those revenues in Canadian currency.

Selected Quarterly Financial Information	Quarter ended							
	2005			2004				2003
	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31
Revenues	1,120,238	1,233,049	1,287,270	1,245,781	1,023,065	1,289,680	1,421,207	1,284,927
Income from continuing operations	(11,483)	64,798	8,028	88,792	(14,827)	(108,026)	77,786	63,942
-per share (basic)	-	0.002	-	0.003	(0.001)	(0.004)	0.003	0.002
-per share (diluted)	-	0.002	-	0.003	(0.001)	(0.004)	0.003	0.002
Net income	(11,483)	64,798	8,028	88,792	(14,827)	(108,026)	77,786	63,942
-per share (basic)	-	0.002	-	0.003	(0.001)	(0.004)	0.003	0.002
-per share (diluted)	-	0.002	-	0.003	(0.001)	(0.004)	0.003	0.002

Gains on disposal of assets resulted in higher revenue of $101,070 for the quarter ended December 31, 2004. Revenue decreased $39,473 from the same quarter in 2004 due to the sale of the last of

the oil and gas assets in the quarter ended December 31, 2004. Once these factors are taken into account, overall revenue for the eight quarters from information technology sources was relatively static, reflecting seasonal variations and normal fluctuations in levels of business activity.

Glenbriar has not paid dividends and has no current intention of doing so.

Liquidity and Capital Resources

As of September 30, 2005, Glenbriar had $46,556 of working capital, compared to $225,034 at September 30, 2004. This decrease is attributable mainly to a $56,290 decrease in inventory and $143,171 increase in the revolving line of credit. Inventory reductions are part of an ongoing effort to reduce parts on hand. Inventory is considered relatively liquid. The deferred revenue account of $251,186 is all attributable to Peartree, and represents payments made for software maintenance fees, which revenues are deferred until such time as the services are performed.

Glenbriar received $87,100 of leasehold allowances for its Calgary office in fiscal 2004, which is being amortized over the 5 year term of the lease. These allowances include leasehold improvements and a rent free period. The provision for site restoration and abandonment was reclassified to an asset retirement obligation in October 2004, and was eliminated upon sale of the asset in fiscal 2005.

The balance of long term debt of $18,500 at the end of fiscal 2004 was eliminated in the second quarter of fiscal 2005. The operating line of credit was $318,219 as of September 30, 2005, up from $175,048 a year earlier. A private placement took place in January 2006 to replenish working capital and reduce the operating line. See "Subsequent Events".

Glenbriar may be required to seek additional equity or debt financing, reduce its operations or to limit its growth in order to maintain liquidity. In addition, Glenbriar does not have adequate surplus capital on hand to pursue its research and development activities at an optimal rate, to establish and implement a robust marketing and sales program, and to make strategic acquisitions. Accordingly, Glenbriar may reasonably be expected to issue additional equity or take on more debt in order to obtain the additional resources which it believes are necessary to enable it to seek to achieve the growth rates which are sought by investors and shareholders. If additional equity is issued, existing shareholders may experience dilution of their shareholdings. If additional debt is taken on, the business could be put at greater risk of not being able to survive downturns in business cycles, the loss of major accounts, or other negative events.

Glenbriar's only long term financial commitments are for office leases as follows:

Fiscal period	$
2006	152,400
2007	66,800
2008	67,300
2009	46,100

Results from Operations

Net earnings increased to $150,135 from $18,875 for fiscal 2005 from 2004. This mainly reflects continued efforts to improve margins and the gain on sale of the gas property.

Revenue. Results for the year ended September 30, 2005 reflect: a) a decrease in revenue from US sources for Peartree of approximately $115,000 caused by the rise of the Canadian dollar relative to the US dollar; b) falling prices for hardware due to both industry trends and the rising Canadian dollar;

c) natural decline in gas producing assets combined with the sale of those assets effective December 1, 2004; and d) the gain on sale of the gas assets.

Expense. Cost of goods sold was in line with sales volumes. General and administrative expense was relatively flat for the comparative years. Foreign exchange losses reflect changes in the value of the Canadian dollar relative to the US dollar. Depreciation, depletion and amortization expense did not change materially from the prior year period. See notes 2 and 3 of Notes to Consolidated Financial Statements.

Accounts receivable. The balance for the year ended 2005 reflects 67 days of sales, which is down from 71 days of sales for the year ended 2004.

Accounts payable and accrued liabilities. The decrease in this account to $407,220 at the end of fiscal 2005 from $459,800 for fiscal 2004 reflects normal business timing fluctuations.

Deferred revenue. This account is all attributable to Peartree, and represents payments received from customers for software maintenance fees.

Disclosure Controls

Glenbriar management reviewed the effectiveness of Glenbriar's disclosure controls and procedures as of September 30, 2005, and determined that they are adequate for a public company of Glenbriar's size and complexity.

Related Party Transactions

See "Subsequent Events".

Subsequent Events

In November 2005, the Corporation allocated a portion of its line of credit to establishing a performance bond in connection with a potential contract. To facilitate this allocation and assist in maintaining working capital margining ratios, certain officers and directors advanced $160,000 to the Corporation in December 2005. This amount was used to subscribe for shares by way of a non-brokered private placement in January 2006. An additional $105,000 was subscribed for by third parties in the private placement with an expected closing date of January 31, 2006. Shares were issued at $0.08 per share, the prior closing price on the CNQ, with no discounts, fees, commissions, warrants or options. This is expected to bring the total shares outstanding to 29,102,428.

Additional Information

Additional information about Glenbriar is available from Glenbriar's website at www.glenbriar.com, the CNQ website at www.cnq.ca, the Sedar website at www.sedar.com, or by request from Glenbriar's head office at 301, 401 – 9 Ave SW, Calgary, AB T2P 3C5 (Phone 403-233-7300 x117).